

Message Text

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ACTION SCI-06

INFO OCT-01 EA-11 ISO-00 EUR-25 CEQ-02 EPA-04 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 IO-14

NEA-14 NSAE-00 RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02

LAB-06 SIL-01 SWF-02 OMB-01 SS-20 NSC-07 NSF-04 OIC-04

L-03 H-03 HEW-08 HUD-02 INT-08 AGR-20 STR-08 DRC-01

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R 240932Z MAY 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2127

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E.O. 11652: N/A

TAGS: SENV, OECD

SUBJECT: OECD ENVIRONMENT COMMITTEE: MEETING OF SUBCOMMITTEE
OF ECONOMIC EXPERTS (SCEE), JAPANESE POLICY ON POLLUTER PAYS
PRINCIPLE

REFS: OECD PARIS 11927, STATE 103236

1. SUBJECT MATTER REFTELS DISCUSSED BY ABBUHL (USDEL
MINISTERIAL MEETING ON ENVIRONMENT) WITH FUJIYAMA (MITI)
WHO REPRESENTED GOJ AT SUBJECT MEETING AND WITH FONOFF
AND ENVIRONMENTAL AGENCY OFFICIALS.

2. THEY CONFIRM GOJ INDIRECTLY SUBSIDIZING PURCHASE AND
INSTALLATION OF POLLUTION CONTROL EQUIPMENT
BY: (1) PERMITTING FASTER THAN NORMAL AMORTIZATION OF
CAPITAL INVESTMENT FOR SUCH EQUIPMENT (WHICH THEY POINT
OUT U.S. ALSO DOES), AND (2) EXTENDING LOANS FOR SUCH
PURCHASES AT INTEREST RATES ROUGHLY 20 PERCENT BELOW
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NORMAL RATES WITH REPAYMENT OVER 7-10 YEAR PERIOD. BOTH

KINDS OF ASSISTANCE AVAILABLE TO NEW AND EXISTING PLANTS. GOJ JUSTIFIES ASSISTANCE TO NEW PLANTS ON GROUNDS THEY ARE SUBJECT TO MORE STRINGENT NOX AND SOX STANDARDS THAN THOS APPLICABLE TO EXISTING PLANTS, AND FACT THAT GOJ STANDARDS ARE HIGHER AND BEING IMPLEMENTED MORE RAPIDLY THAN THOS OF ANY OTHER COUNTRY.

3. CAPITAL INVESTMENT FOR SUCH EQUIPMENT IN 1973 WAS 500 BILLION YEN WHICH EXPECTED INCREASE TO 1000 BILLION YEN IN 1974. PERCENT CAPITAL INVESTMENT FOR SUCH EQUIPMENT AS PERCENT OF TOTAL CAPITAL INVESTMENT WAS SIX PERCENT IN 1972, EIGHT PERCENT IN 1973 AND FORECAST TO BE TEN PERCENT IN 1974. FOR SOME INDUSTRIES, IT IS AS HIGH AS THIRTY PERCENT. BECAUSE OF BUDGETARY LIMITATIONS, ONLY HALF OF POLLUTION EQUIPMENT INVESTMENTS ARE PRESENTLY BEING FINANCED THROUGH SOFT LOAN PROGRAM.

4. FUJIYAMA POINTED OUT, THEREFORE, THAT GOJ CLEARLY HAS PROBLEM IN ACCEPTING SENTENCE IN DRAFT MINISTERIAL DECLARATION ON PPP WHICH READS: "SUCH AID SHOULD ONLY BE GRANTED TO EXISTING PLANTS," ETC. GOJ POSITION ON THIS ISSUE FOR JULY 1-3 MEETING ENVIRONMENT COMMITTEE NOT YET FORMULATED. WE ASKED AND HE AGREED INFORM USG IN ADVANCE HOW GOJ PROPOSES HANDLE MATTER AT MEETING. WE MADE IT CLEAR THAT U.S. SERIOUSLY CONCERNED WITH THIS GOJ BREACH OF PPP.

5. ABOVE INFORMATION DEVELOPED AND THIS REPORT PREPARED AFTER DEPARTURE AMBASSADOR TRUEHEART. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLLUTION, POLICIES, EQUIPMENT, PROCUREMENT, INTEREST RATES, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO06844
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740130-0704
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740517/aaaaapdc.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SCI
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: OECD PARIS 11927, STATE 103236
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2002 by kellew0>; APPROVED <04 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD ENVIRONMENT COMMITTEE: MEETING OF SUBCOMMITTEE OF ECONOMIC EXPERTS (SCEE), JAPANESE POLICY ON POLLUTER PAYS
TAGS: SENV, JA, US, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005